

MORI BUNDLE # \_\_\_\_\_

DATE \_\_\_\_\_

PAGES \_\_\_\_\_

Box \_\_\_\_\_

Folder # \_\_\_\_\_

Fon # \_\_\_\_\_

**BEST COPY**

**AVAILABLE**

**ENTIRE  
DOCUMENT**

~~SECRET~~  
CONFIDENTIAL

### COMMENT ON "SOME IMPRESSIONS OF AGRICULTURAL ORGANIZATION AND PLANNING IN CHINA"

1. The general tenor of the "impressions" contained in this report is that agricultural policies and programs under the Chinese Communist regime have already resulted in a remarkable increase in production, and will achieve spectacular gains under the projected Five- and Twelve-year plans. These actual and potential achievements are interpreted as being worthy of emulation by India.

2. Upon examination, however, these "impressions" prove to be inconsistent, misleading and incomplete. They seem to be the result of accepting statistics at face value, without inquiry into the basis on which they are calculated, and with no apparent understanding of the subordination of agriculture to industrial goals under the Chinese Communist regime. The following paragraphs will point out some flaws and underline some of the less stressed but important defects admitted in the report.

3. Paragraph 3 of the report indicates that crop yields in China have increased under the Communists since the war, but that even now they have not in most cases attained their pre-war levels under the Nationalist regime. In any case, the report points out, "the Chinese have always been better cultivators. For scores of years their average yields have been much higher than those of India." It is not valid to correlate the present superiority of Chinese agricultural yield over that of India with the ideological aspects of the Chinese Communist regime.

4. Paragraphs 4 and 5 of the report discuss the Five- and Twelve-year plans under which the Chinese "propose to increase their agricultural production very substantially indeed." The writer points out that planning is not done so carefully in China as in India, what he does not point out, and perhaps does not know, is that the Chinese use the biological yield as a basis for their estimates of acreage production, rather than the bare yield. In other words they estimate what the yield of an acre should or will be, and multiply that figure by the total number of acres. Consequently, they regularly overestimate the actual yield, since they do not allow for various contingencies such as

DOCUMENT NUMBER: 14 Approved For Release 1999/08/24 : CIA-RDP78-02771R000300260008-0  
NO CHANGE IN CLASS.  DECLASSIFIED

CLASS. CHANGED TO: TS S-6  
NEXT REVIEW DATE: 2019  
AUTH: NM 78-2  
DATE: 14 APR 1987

harvest and produce yields significantly below the estimates. This inaccurate method of making estimates has already several times resulted in revision of the Chinese agricultural programs and estimates. There is no question here of the Chinese issuing false statistics to mislead; there exists simply the situation in which enthusiasm and dogmatic principles cause estimates to be based on wishful thinking (e.g. that agriculture must inevitably improve under a socialist system). Economic factors are overlooked in favor of ideological assumptions, and actual production performance cannot come up to what was "planned." The following recently compiled table shows the disparities between Chinese Communist grain statistics and the estimates of competent economic specialists:

**A COMPARISON OF CHINESE COMMUNIST GRAINS STATISTICS  
AND EXPERTS' ESTIMATES FOR THE FIVE-YEAR PERIOD  
(1951-57), 1953 AND 1957**

Year	Chinese Communist	Economist's Estimate
Present	180,000	156,000
1953	163,000	162,000
1955	161,000	161,000
1956	165,000	166,000
1958	164,000	166,000
1959	199,450*	172,000
1967	178,000**	177,000
1968	180,000***	177,000
1967	450,000****	307,000

\* \* Revised Plan announced 23 December 1955.

\*\* Original Five Year Plan announcement.

\*\*\* Plan announced 15 September 1956.

\*\*\*\* Twelve Year Draft National Program for Agriculture.

g. Paragraph 6 of the report is probably the most misleading portion of the report, because of the inaccurate and undefined character of its claims. "Considerable amount of guarantees," "large amount of investment," and "guaranteed price and market" are terms which need to be defined before they can be understood. Under the Five-Year Plan, for

instance only 7.6 per cent of the capital construction fund allocation is apportioned to agriculture, forestry and water conservancy combined. The investment in agriculture is greatly subordinated to the Communists' chief goal of industrialization. "Fixed price," rather than "guaranteed price," would be the accurate term. Later, in paragraph 13, we see that the farmer accepts the "guaranteed price," or else. Selling of crops, in many cases the total crop, to the government is compulsory, and at the government price. The farmer, in buying back some of the crop for his own needs, frequently has to pay a higher price than the one he was forced to sell for under the "guaranteed price" system. This situation will be touched on again in the comment on paragraph 13.

6. Paragraph 7 of the report indicates that the peasant will have to pull himself up by his own bootstraps. The figure mentioned here for investment by cooperatives and peasants amounts to five times that mentioned as government investment. It is to be noted that government investment in the form of loans does have to be paid for by the peasants. Nowadays there is no other source of loans for the farmer. That is meant by "idle capital" is difficult to conceive unless it means government bonds which those peasants who are not entirely squeezed by "guaranteed prices" are pressed into purchasing.

7. Paragraph 8 of the report brings us to the crux of China's agricultural program: fertilizer. Culturing of one of the land makes fertilizer a vital necessity, and the lack of a livestock economy deprives Chinese agriculture of any considerable amount of organic fertilizer. Nitrogenous fertilizer would probably be the greatest single factor in improving agricultural yield. The Minister of Agriculture of the Chinese Communist regime has put the desired annual consumption of chemical nitrogenous fertilizers at 20 million metric tons. At present China is using less than 5 per cent of this desired amount. It is interesting to note that the Minister of Agriculture's desired annual total is less than the amount used annually in Japan before the war, with a much smaller population figure to provide for. The Minister of Agriculture's 20 million metric tons of nitrogenous fertilizer would mean in terms of nitrogen about 4 million tons. Annual world production of nitrogen is currently estimated at 7.6 million tons (1953-1956), of which the USA and satellite countries produce about a million tons, only a negligible fraction of which they can spare. Although world

[REDACTED]

nitrogen production is expected to increase after 1957 to a total of 10 million tons, the amount of nitrogen which is estimated to be available for purchase in 1957 by China is 900,000 tons, or in terms of fertilizer, 4.5 million tons. If by some production miracle the 40 million tons needed annually for China's agricultural program were to be made available, it would cost about \$1.4 billion. Imports aside, there is little prospect that China's heavy industry program will be capable of meeting the fertilizer requirements within the foreseeable future.

8. Paragraph 10 of the report does not indicate that major grain crops are already at present under irrigation, and that new irrigation programs are destined to benefit technical crops, such as cotton and tobacco, whose production is to be utilized for China's industrial goals (through export sales), rather than for her agricultural development. The fact is not mentioned that irrigation improvements are a minor matter in comparison with flood control measures which play a much more vital, if costly, part in China's efforts to stem her two flood losses to agriculture.

9. Paragraph 10 of the report indicates that "guaranteed prices" are proving to be an effective incentive to farmers under the Communist regime. As was mentioned above in the discussion of Paragraph 6 of the report, the "guaranteed price" is a fixed price which to the farmer is a compulsory price. There have been many complaints that the farmer loses by this system, and further evidence would need to be provided to explain what and how extensive the "surplus" is which Paragraph 10 states is purchased by the state at "predetermined prices." At present the farmer may feel that he has no incentive because he is produced better things to eat. If the Chinese agricultural program does not within a reasonable time produce these better things, the farmer's incentive will be short-lived.

At the recent meetings of the 8th Chinese Communist Party Congress, there was a discussion of the 1952 Planned Program for Agriculture (and Five-Year Plan). A considerable portion of this program was devoted to the collectivization issue and the peasants. The measures reported deal almost wholly with incentive-producing plans. No doubt these measures arise from justifiable fear by the government of a loss of prestige and possibly increased peasant resistance to the collectivization program, if promises of improvement for the peasants are not forthcoming. The most serious

[REDACTED]

problem confronting the government in this respect in 1956 was the decrease in peasant income below that of 1955. Bad weather and a decrease in subsidiary productive enterprises by the peasants, due to their being placed in compulsory government projects such as water conservancy, were blamed for the decrease. Among the plans mentioned to increase the incentive of the farmers were one to permit a certain amount of latitude to members of cooperatives with regard to their working hours, a sort of management responsibility which would be designed to increase the farmers' enthusiasm. There also was a plan to establish "free markets," under government guidance, for the exchange of goods between urban and rural areas. Such measures indicate that the Chinese government is aware of the dissatisfaction of the farmers, and sees the necessity of doing something about it.

10. There is reason to believe that there is indeed, as Paragraph 11 states, a large staff working in China for the development of agriculture. To great part this number is made up of men who were active and dedicated under the Nationalist regime. In continuing their efforts today they have to contend with ideological enthusiasts whose economic knowledge is either meager or subservient to doctrine. It would be hard to draw a correct generalization about the success of the Ministry of Agriculture's extension staff from the specific example cited here.

11. Paragraphs 12 and 13 of the report to their discussion of the organization of cooperatives indicate, especially in the last two sentences of the first section of Paragraph 12, that the farmer has had no other recourse than to join the cooperatives since both credit and market would be denied him otherwise. The latter sections of Paragraph 13 point to the controls necessarily exercised "for the arrival of socialism," and by induction show how the goals of agriculture are subordinated to industrialization. It is not the considered opinion of experts that the system of cooperatives in itself can result in a substantial increase in agricultural production. What is needed is greater investment by the state and greater incentive for the farmer. If these two essentials are kept under the same degree of control as they are at present, there can be little expectation that the cooperative system will result in any major increase in crop yield.

~~SECRET~~

12. Paragraph 14 of the report gives the impression that China's efforts in agricultural and economic development are colossal, as indeed they are. There is no indication of the relative extent and importance of the agricultural and economic efforts, no indication that the Chinese Communists have made industrialization their primary goal, with agriculture far subordinated and even forced to contribute to the industrial program. There is no attempt to show how colossal China's needs are, and what proportion of them are being met by the "colossal" efforts. Of great importance is a measured view of China's agriculture situation, there is no mention of the burgeoning prospect of population increase, and the inadequacy of today's programs, even when executed, in the face of the needs of that future population. The writer's impression that totalitarian compulsion is a thing of the past is evidently due to his belief that "popular enthusiasm and disciplined effort ... cannot be the result of compulsion alone." Undoubtedly enthusiasm does exist, because the glow of promises is still very strong, and the possibility still seems realizable that disciplined effort will soon bring the promised rewards. However, there are many evidences that the compulsory cooperative system has succeeded the farmer, that the responsibility for agricultural improvement is being put on the shoulders of the farmer. Unless government investment in agriculture begins to measure up to the necessary but costly items of fertilizer and flood control there is little likelihood that faith in promises can survive. Unless the "guaranteed price" is adjusted to a level where it really provides an incentive to the farmer, the already widespread complaints will widen into general dissatisfaction and perhaps non-cooperation.

13. Paragraph 15 of the report is truly an "impression." It would be interesting to know the extent of the background and insight which causes the writer's colleague to consider Chinese Communists more humane, moderate and realistic than the Russians. The writer seems to confuse what Chou En-lai says as regards what is actually being done or planned. Why does Chou "not propose to have mechanization of agriculture for the next 10 to 15 years"—from lack of desire, or from lack of funds or availability? Other spokesmen for China have made more than Chou does of the desirability of reclamation of land in their propaganda effort, but perhaps he is right: it may be too costly and difficult. Does the writer have any statistics to illustrate Chou's statement that every collective farmer (what other kind of farmer is there now in China?) has been given a separate plot of land

of his own, part of whose crops may be sold on the "open market"? What is the open market to China today, and how extensive is it? Chou's remarks on overpopulation are an understatement which it is hard to believe an official of India could take at its face value.

14. Paragraph 16 of the report indicates clearly that it is the Chinese peasant who is responsible for an agricultural yield higher than India's, today as in the pre-communist days. It would seem that diligence, rather than socialism, might be the element of the Chinese agricultural success for India to ponder on. The "guaranteed price" we have commented on earlier. The matter of credit is mentioned here without any indication of how forcefully the Chinese regime controls it. What security must the farmer provide?

15. In summary, the "impressions" in this report have been based on incomplete information. The need for government investment in agriculture is far greater measure than is now being planned for is hardly recognized. As long as agriculture is kept as subservient to industry as is the case in China, so long will the increase in agricultural production be slow. Without the essential fertilizer, even the back-breaking drudgery of Chinese farmers cannot achieve a miracle. With the years, and soon, a tremendous increase in population will out-date what minor increase in production is attained under the Five- and Twelve-Year programs. And unless the Chinese Communist regime offers more realistic incentives to the farmers, the farmer may not long continue to show the "enthusiasm" observed by the writer of the report.